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CLERK U.S. DISTRICT COURT
DISTRICT OF ARIZONA
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ATTORNEYS FOR PLAINTIFF
FEDERAL TRADE COMMISSION

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

SEALED

Federal Trade Commission,

Plaintiff,

v.

Freedom Foreclosure Prevention Services, LLC, an Arizona limited liability company;

Loss Mitigation Training Centers of America, LLC, an Arizona limited liability company also doing business as Mastermind Consulting Group;

Jeffrey C. Segal, individually and as an officer of Freedom Foreclosure Prevention Services, LLC and Loss Mitigation Training Center of America, LLC; and

Michael R. Workman, individually and as an officer of Freedom Foreclosure Prevention Services, LLC;

Defendants.

Case No. CV-09-1167-PHX-FJM

COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF

Plaintiff, the Federal Trade Commission ("FTC"), for its complaint alleges:

1. The FTC brings this action under Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), to obtain temporary, preliminary, and permanent injunctive relief, rescission of contracts, restitution, disgorgement of ill-gotten monies, and other equitable

relief for Defendants' acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a) and 53(b).

3. Venue is proper in this District under 28 U.S.C. §§ 1391(b) and (c), and 15 U.S.C. § 53(b).

PLAINTIFF

4. The FTC is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58. The FTC is charged, *inter alia*, with enforcement of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce.

5. The FTC is authorized to initiate federal district court proceedings, by its attorneys, to enjoin violations of the FTC Act and to secure such equitable relief as may be appropriate in each case, including restitution and disgorgement. 15 U.S.C. § 53(b).

DEFENDANTS

6. Defendant Freedom Foreclosure Prevention Services, LLC ("Freedom Foreclosure" or "FFPS") was an Arizona limited liability company which registered on November 1, 2003 and terminated its articles of organization on January 26, 2009. In its registration documents, Freedom Foreclosure listed its principal place of business as 1234 S. Power Road, Mesa, Arizona 85206. Freedom Foreclosure also used a maildrop located at 70 S. Val Vista Drive, Suite 3, #420, Gilbert, Arizona 85296. Freedom Foreclosure transacts or has transacted business in this District and throughout the United States. At all times material to this Complaint, acting alone or in concert with others, Freedom Foreclosure has advertised, marketed, distributed, and/or sold business opportunities and mortgage loan modification services to consumers throughout the United States.

7. Defendant Loss Mitigation Training Centers of America, LLC ("LMTCOA") is an Arizona limited liability company which registered in the state of Arizona on August 27, 2008, using a maildrop located at 70 S. Val Vista Drive, Suite 3, #420, Gilbert, Arizona 85296 as its registered office address. In addition, LMTCOA directs correspondence to the physical address of 1234 S. Power Road, Mesa, Arizona 85206. LMTCOA also does business as Mastermind Consulting Group. LMTCOA transacts or has transacted business in this District and throughout the United States. At all times material to this Complaint, acting alone or in concert with others, LMTCOA has advertised, marketed, distributed, and/or sold business opportunities and loan modification services to consumers throughout the United States.

8. Defendant Jeffrey C. Segal ("Segal") was the manager and president of Freedom Foreclosure until at least August 2008. Now, Segal is the sole managing member of LMTCOA. At all times material to this Complaint, individually or in concert with others, Segal has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Freedom Foreclosure and LMTCOA, including the acts and practices set forth in this Complaint. Defendant Segal is a resident of Arizona, and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

9. Defendant Michael R. Workman ("Workman") was the president of Freedom Foreclosure from August 2008 until at least January 2009. Prior to that, from November 2003 until August 2008, Workman was a co-owner and vice president of the company. At all times material to this Complaint, individually or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Freedom Foreclosure, including the acts and practices set forth in this Complaint. Defendant Workman, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

COMMERCE

10. Defendants have maintained a substantial course of trade, in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS' BUSINESS PRACTICES

11. From November 2003 until January 2009, Freedom Foreclosure marketed and sold "loss mitigation services" and "loss mitigation consultant" business opportunities (referred to hereinafter as "loan modification services" and "loan modification consultant business opportunities") to consumers throughout the United States. "Loss mitigation" refers to a process of attempting to prevent foreclosure by negotiating with a consumer's mortgage lender to secure a modification of a consumer's mortgage payment or loan terms. From approximately January 2009 until the present, LMTCOA has sold nearly identical loan modification consultant business opportunities to consumers throughout the United States.

12. From November 2003 until January 2009, Freedom Foreclosure, Segal, and Workman ("Freedom Foreclosure Defendants") marketed and sold mortgage loan modification services to homeowners at risk of foreclosure, claiming that they could save homes from foreclosure in 97 percent of cases. Freedom Foreclosure Defendants also claimed to offer a "100% money-back guarantee" if they failed to obtain successful loan modifications for homeowners.

13. In truth and in fact, most homeowners who have applied for Freedom Foreclosure Defendants' loss mitigation services received no loan modification and no refund.

14. During the same time period, Freedom Foreclosure Defendants marketed and sold business opportunities in which purchasers become "consultants" and earn money by referring homeowners to Defendants for loan modification services. Freedom Foreclosure Defendants routinely claimed that consultants would earn $10,000 monthly, while saving consumers' homes from foreclosure.

15. In truth and in fact, no consultant earned $10,000 per month from Freedom Foreclosure Defendants' loan modification consultant business opportunities. In fact, most consultants earned far less income and many earned nothing at all.

16. In late 2008, Freedom Foreclosure stopped soliciting new consultants and homeowners. Around the same time, Segal began using Loss Mitigation Training Center of America ("LMTCOA") to solicit new purchasers of a loan modification business opportunity, boasting that their consultants could earn as much as $2,000 to $6,000 per week from their loan modification consultant business opportunity.

17. Freedom Foreclosure and Loss Mitigation Training Center of America have the same principal and use the same addresses and same web site URLs. In addition, while winding down its operations, Freedom Foreclosure's main phone number referred callers to a phone number associated with Segal and LMTCOA. Segal regularly sends emails to former Freedom Foreclosure consultants trying to recruit them to become LMTCOA consultants.

Misrepresentations to Homeowners by Freedom Foreclosure Defendants

18. Freedom Foreclosure Defendants lured homeowners with promises of 97% success rates in saving homes from foreclosure and a 100% money-back guarantee. Homeowners usually found Freedom Foreclosure Defendants' loan modification service either through Internet searches or through referrals from family, friends, or other mortgage brokers. Once a homeowner called or emailed Freedom Foreclosure Defendants, one of their consultants collected the homeowner's financial information and an upfront fee, equivalent to one month's mortgage payment. After forwarding the fee and documents to Freedom Foreclosure Defendants, a consultant's responsibilities ended and Freedom Foreclosure Defendants were supposed to negotiate directly with the homeowner's lender to secure a loan modification.

19. In truth and in fact, in numerous instances, Freedom Foreclosure Defendants failed to secure loan modifications and failed to provide refunds.

20. On their web sites, Freedom Foreclosure Defendants routinely claimed that they successfully negotiated loan modifications in virtually all cases. For instance, on their web site 10kpermonth.net, Freedom Foreclosure Defendants claimed a "97% success rate in saving homes from foreclosure."

21. At Freedom Foreclosure's web site usforeclosurepro.com, Freedom Foreclosure Defendants stated that an "average timeline for a typical negotiation" at Freedom Foreclosure included an initial contact "within 24 hours," contact with a lender decision "within 72 hours," and "usually most successful negotiations are completed within 6 weeks." In fact, Freedom Foreclosure Defendants failed to act on homeowners' cases for longer than four to six weeks, without completing – or, in some cases, even starting – negotiations with the lender. To make matters worse, Freedom Foreclosure Defendants routinely failed to return consumers' repeated telephone calls, even when homeowners were on the brink of foreclosure.

22. Contrary to their representations to consumers, Freedom Foreclosure Defendants failed to prevent mortgage foreclosure or save consumers' homes from foreclosure in 97% of cases. In fact, Freedom Foreclosure Defendants completed loan modifications in only about 6% of cases.

23. Many homeowners avoided foreclosure only through their own efforts and not through any service provided by Freedom Foreclosure Defendants. In numerous instances, consumers learned from their lenders that Freedom Foreclosure Defendants had not even contacted the lender or had made only minimal, non-substantive contacts with the lender. In the end, as a result of Freedom Foreclosure Defendants' delays in negotiations with consumers' lenders, and because of additional late fees, penalties, and other costs that accrue during such delays, many consumers who kept their homes were harmed by having purchased Freedom Foreclosure Defendants' services.

24. When a homeowner signed a contract with Freedom Foreclosure Defendants, the

contract specified that there was a "100% money-back guarantee" if Freedom Foreclosure failed to negotiate a solution for the homeowner.

25. Freedom Foreclosure Defendants' contracts instructed homeowners not to contact their lender directly or else the homeowners would void their contract and the money-back guarantee. In some cases, Freedom Foreclosure Defendants' consultants also told homeowners to stop making their mortgage payments while Freedom Foreclosure Defendants were working on their cases. In many instances, such instructions further harmed consumers.

26. In many cases where Freedom Foreclosure Defendants failed to negotiate a solution, Freedom Foreclosure Defendants simply denied or ignored refund requests from homeowners.

Misrepresentations Regarding Earning Potential by All Defendants

27. Since November 2003, Defendants have lured prospective consultants through their web sites and Internet ads with promises of significant earnings potential.

28. From November 2003 until January 2009, Freedom Foreclosure Defendants claimed that consultants could earn $10,000 per month by saving homes from foreclosure. Freedom Foreclosure Defendants offered their loan modification consultant business opportunity on a variety of their own web sites including www.freedomforeclosure.com, www.ffpsloannetwork.com, and www.10kpermonth.net.

29. Freedom Foreclosure Defendants also marketed their business opportunity through classified ads in *USA Today, The Arizona Republic*, and smaller local franchise/business opportunity publications, such as South Dakota's *Coteau Shopper*.

30. Freedom Foreclosure Defendants' marketing materials also claimed or implied that consultants would earn significant income from the business opportunity. For example, typical Freedom Foreclosure marketing materials at ffpsloannetwork.com stated: "Earn $500-$5,000 Monthly Part Time" and advertised a "Business Plan to Make $10,000+ Per Month." The

domain name of the web site itself, "10kpermonth," suggested that consultants would earn $10,000 per month from the opportunity.

31. Until at least in or around June 2008, Freedom Foreclosure Defendants' web site 10kpermonth.com regularly posted a large font banner headline at the top of the page stating, "Are you ready for a $ix-figure income?" Similarly, Defendants' web site 10kpermonth.net stated, "Your earning potential could exceed 5-6 figures in your first year."

32. Freedom Foreclosure's web site requested interested potential consultants to submit their contact information online. Other consumers were recruited into the consultant opportunity by friends, acquaintances, or former colleagues who are already consultants.

33. After submitting their contact information online, prospective consultants then received a return call and/or email from an established consultant. The established consultant told the consumer about the business opportunity, often emphasizing the ability to earn a large income from becoming a loss mitigation consultant.

34. After paying a fee of approximately $500 to $1,500 for the Freedom Foreclosure consultant opportunity, prospective consultants were required to attend four webinars and pass a written test. Then, Freedom Foreclosure Defendants provided them with a loss mitigation certificate, signed by Jeff Segal, and access to the members-only web site with leads and sample marketing materials.

35. A certified Freedom Foreclosure consultant was eligible to earn money in two ways: (1) for each homeowner recruited, the consultant would receive 40% of the homeowner's upfront fee, if and only if the defendants completed a loan modification; and/or (2) for each new consultant recruited, the recruiting consultant would receive between 40% to 50% of that consultant's training fee.

36. On the members-only web site, Freedom Foreclosure Defendants provided consultants with a business plan entitled "Business Plan to Potentially Earn $10,000+ Per

Month."

37. Freedom Foreclosure Defendants' business plan also included the following statements purporting to disclaim the earnings claims contained within the document:

> Disclaimer: Freedom Foreclosure Prevention Services, LLC (FFPS) makes no guarantees regarding income; FFPS will teach you everything required to earn an income as a Certified Loss Mitigation Consultant. Applying that education is up to you. You COULD earn nothing! With that said, we have documented proof of Consultants who have applied the education received here and are earning $400+ per hour or more using our proven system.
>
> Remember this potential spreadsheet is based on a minimum loss mitigation case fee of only $1,250; your income could be higher.
>
> and
>
> Closing ratios are conservative. Your results may be higher; FFPS cannot guarantee what your results will be.

38. Furthermore, the "Frequently Asked Questions" section on Freedom Foreclosure Defendants' web site, 10kpermonth.net, asks the question, "How much can I earn?" and answers, "You could earn five to six figures per year, or more."

39. After shutting down Freedom Foreclosure, Segal continues to make similar representations, using a similar business model with LMTCOA. LMTCOA, doing business as Mastermind Consulting Group, now markets loss mitigation business opportunities at www.10kpermonth.com and www.lossmitigationguru.info. LMTCOA lures prospective consultants claiming that they can earn $2,000 to $6,000 per week by helping save homes from foreclosure.

40. On a recent version of its website 10kpermonth.com, LMTCOA claims to offer a "passport to wealth" with the ability to "earn $2,000-$6,000 weekly!" and commissions of "$1,000-$3,000 Per Sale, Paid Daily!" Thus, LMTCOA is now advertising earnings potential even higher than Freedom Foreclosure – as high as $24,000 per month.

41. After the initial pitch, prospective LMTCOA consultants follow a similar

business model to Freedom Foreclosure consultants. Prospective consultants register online for webinars and pay a fee for the opportunity to submit homeowners for loss mitigation services. Like Freedom Foreclosure consultants, LMTCOA consultants can then earn money both by referring homeowners and by recruiting new consultants.

42. In fact, numerous consultants fail to earn significant income from Defendants' loan modification consultant opportunities.

VIOLATIONS OF THE FTC ACT

43. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or deceptive acts or practices in or affecting commerce."

44. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

COUNT I

Misrepresentations Regarding Loan Modification Success

46. In numerous instances, Freedom Foreclosure Defendants represented to consumers, expressly or by implication, that they would obtain a mortgage loan modification or stop foreclosure in all or virtually all instances.

47. In truth and in fact, Freedom Foreclosure Defendants did not obtain a mortgage loan modification or stop foreclosure in all or virtually all instances.

48. Therefore, Freedom Foreclosure Defendants' representation as set forth in Paragraph 46 is false and misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT II

Misrepresentations Regarding Refunds

49. In numerous instances, Freedom Foreclosure Defendants represented to consumers, expressly or by implication, that they would give full refunds to consumers in all instances when Freedom Foreclosure Defendants failed to obtain a loan modification or stop foreclosure.

50. In truth and in fact, in numerous of these instances, Freedom Foreclosure Defendants did not give refunds to consumers when Freedom Foreclosure Defendants failed to obtain a loan modification or stop foreclosure.

51. Therefore, Freedom Foreclosure Defendants' representation as set forth in Paragraph 49 is false and misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT III

Misrepresentations Regarding Income

52. In numerous instances, Defendants have represented to consumers, expressly or by implication, that purchasers of Defendants' loan modification consultant opportunities are likely to earn:

a. $10,000 per month from Freedom Foreclosure

b. $2,000 to $6,000 per week from LMTCOA.

53. In truth and in fact, purchasers of Defendants' loan modification consultant opportunity are not likely to earn:

a. $10,000 per month from Freedom Foreclosure

b. $2,000 to $6,000 per week from LMTCOA.

54. Therefore, Defendants' representation as set forth in Paragraph 52 of this Complaint is false and misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45.

CONSUMER INJURY

55. Consumers throughout the United States have suffered and continue to suffer substantial injury as a result of Defendants' violation of the FTC Act. In addition, Defendants have been unjustly enriched as a result of their unlawful acts and practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

56. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of the FTC Act. The Court, in the exercise of its equitable jurisdiction, may award ancillary relief, including rescission of contracts and restitution, and the disgorgement of ill-gotten monies, to prevent and remedy any violation of any provision of law enforced by the FTC.

PRAYER FOR RELIEF

Wherefore, Plaintiff Federal Trade Commission, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b) and the Court's own equitable powers, requests that the Court:

A. Award Plaintiff such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including but not limited to, temporary and preliminary injunctions, an order freezing assets, and expedited discovery;

B. Enter a permanent injunction to prevent future violations of the FTC Act by Defendants;

C. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act, including but not limited to, rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies; and

D. Award Plaintiff the costs of bringing this action, as well as such other and

additional relief as the Court may determine to be just and proper.

Respectfully submitted,

DAVID C. SHONKA
Acting General Counsel

Lisa W. Schifferle

Dated: 6/1/09

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